

Members

Sen. Luke Kenley, Chairperson
Sen. Thomas Wyss
Sen. Lindel Hume
Rep. Lawrence Buell
Rep. William Crawford



COMMISSION ON STATE TAX AND FINANCING POLICY

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MEETING MINUTES¹

Meeting Date: November 17, 2005
Meeting Time: 10:00 A.M.
Meeting Place: State House, 200 W. Washington St., Room 431
Meeting City: Indianapolis, Indiana
Meeting Number: 3

Members Present: Sen. Luke Kenley, Chairperson; Sen. Thomas Wyss; Sen. Lindel Hume; Rep. Lawrence Buell; Rep. William Crawford.

Members Absent: None.

COMMENCEMENT OF THE MEETING

Sen. Luke Kenley called the meeting to order at 10:07 a.m. and briefly reviewed the day's agenda items.

INDIANA ASSOCIATION OF CITIES AND TOWNS

Sen. Kenley introduced **Matt Grellar**, Executive Director of the Indiana Association of Cities and Towns (IACT), who appeared with **Bill Sheldrake**, President of Policy Analytics LLC, **Gary Malone**, Executive Partner of H. J. Umbaugh and Associates, and **Karen Arland**, Ice Miller of counsel. Sen. Kenley explained that Mr. Grellar, Mr. Sheldrake, and Mr. Malone had previously

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made a presentation at the Commission's first meeting held on September 22, 2005, concerning the results of research undertaken at the IACT on local fiscal issues. At that time IACT had not completed its analysis and report on that research. At this meeting Mr. Grellar and his colleagues returned to make a follow-up presentation on the remainder of the IACT research and the associated report entitled *Hometown Matters*. See Attachment 1 for the presentation summarizing the *Hometown Matters* report.

At the conclusion of the IACT presentation, Sen. Kenley recognized Grant Monahan, President of the Indiana Retail Council, who spoke in opposition to the idea of using local option sales taxes as a local revenue alternative to property taxes. Mr. Monahan's points can be found in Attachment 2.

COMPARISON OF FLORIDA AND INDIANA SYSTEMS OF TAXATION

Sen. Kenley turned to the topic of Florida taxation compared with Indiana taxation and asked **Terry Griggs**, Indiana Department of Revenue, to present the results of the Department's research.

Mr. Griggs reviewed two documents that he distributed to the Commission. The first, titled "Individual Resident State Tax Obligations: Florida versus Indiana," presented comparisons between Florida and Indiana in nine different categories of taxation. See Attachment 3. The second titled, "Limited Liability Companies: Impact on Corporate Tax Revenues," surveyed the characteristics of the limited liability company and the effects of the Internal Revenue Service's so-called "check the box" regulations that allow many business entities to make an election as to how the business entity wishes to be income taxed: as a partnership or as a corporation. See Attachment 4.

STATEWIDE PROPERTY TAX EQUALIZATION STUDY

Sen. Kenley then introduced Steven Johnson, President of the Indiana Fiscal Policy Institute (IFPI), and Mark Brown, IFPI Research Director, to make a presentation on IFPI's Indiana Property Tax Equalization Study Final Report. See Attachment 5 (Printed Version of the Presentation) and Attachment 6 (Final Report Executive Summary).

UPDATE ON COUNTY SUBMISSIONS OF PROPERTY TAX DATA

Sen. Kenley asked **Melissa Henson**, Commissioner of the Department of Local Government Finance (DLGF), to provide the Commission with an update on property tax data submitted by the counties. Comm. Henson stated that since September DLGF has received numerous emails and calls from county officials seeking clarification of requirements. However, DLGF has still not heard from thirty counties. In addition, DLGF has met with vendors and will be sending out another status report to counties in December. She added that DLGF personnel have been meeting weekly with their counterparts at the Legislative Services Agency. And she emphasized that at this point her goal is still 100% compliance through communication and collaboration without resorting to the withholding of property tax replacement credit money. Comm. Henson distributed a table of compliance statistics that is designated as Attachment 7.

Sen. Kenley expressed his appreciation for the hard work of Comm. Henson, her staff, and DLGF field personnel toward solving this problem.

CONCLUSION OF THE MEETING

Sen. Kenley announced that in view of the large amount of information the Commission had already received the upcoming meeting previously scheduled for December 8th would be cancelled.

Sen. Kenley declared the meeting adjourned at 12:20 p.m.